Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
Developing a Unified Intercarrier Compensation Regime	)	CC Docket No. 01-92
	)	
	)	

COMMENTS OF
EASTERN RURAL TELECOM ASSOCIATION

Introduction

The Eastern Rural Telecom Association (ERTA) is an association of rural incumbent Local Exchange Carriers that provide service east of the Mississippi River. ERTA supports the principles of the Rural Alliance. ERTA believes it is critical that an intercarrier compensation system be implemented that assures long term, reliable telecommunications service in rural areas with rates and service quality comparable to urban areas.

It is important that the high-cost, incumbent rural local exchange carriers to be able to charge cost-based rates to those service providers that use our networks and to end the practice of other service providers using our networks without compensation (e.g. phantom traffic, unbillable traffic) or at rates that are less than are appropriate (e.g. rate arbitrage). When the incumbent rural LECs are able to bill the appropriate rates for all of the traffic they terminate, the demand on the Universal Service Fund (USF) will be reduced.

Cost-based Intercarrier Compensation Rates

Uniform, cost-based intercarrier compensation rates for each local exchange carrier (LEC) should be charged whenever a service provider originates or terminates traffic on the LEC's network. Reciprocal compensation, intrastate and interstate access rates should migrate to the same rate level over a reasonable period of time. This will help minimize rate arbitrage. The Federal Communications Commission and state commissions should work in a collaborative process to adjust interstate and intrastate rates to the same level. Since interstate rates are cost-based, one option would be to move all rates to the interstate level. Any shortfalls experienced by rural incumbent LECs as these rates are aligned should be made up either through a new access mechanism or through universal service funding.

Further, there is no need to merge the structure of reciprocal compensation traffic with that of access. Both structures work satisfactorily for their intended purpose. Reciprocal compensation applies when local traffic is exchanged between carriers while access applies when a long distance retail service provider, that isn't the LEC, requires the LECs' network to originate and terminate the long distance provider's traffic.

The costs that should be used for non-price cap carriers are a carrier's embedded costs, as is the case today for interstate access. The rural incumbent LEC are generally non-price cap carriers. Embedded costs are real costs, not theoretical costs. Total Element Long Run Incremental Costs (TELRIC) studies are theoretical. Depending on the assumptions used to develop a company's TELRIC study, the results can vary significantly and be open to challenge. TELRIC proposals based on proxy models have not worked because of inherent and significant variations among rural incumbent LECs.

Interconnection Point

There is no need to modify the interconnection points and traffic exchange rules that are in existence today. They work well and the proposals to change the system, such as the Intercarrier Compensation Forum (ICF) plan and the plan submitted by the National Association of Regulatory Utility Commissioners, are costly to implement, complex, untested and poorly understood. They provide little, if any, demonstrable benefit. LECs and other carriers should continue to interconnect at existing meet points or as otherwise agreed to by the carriers. The rural incumbent LECs' interconnection points should continue to be within their network areas.

Compensation Obligations

All carriers are entitled to cost-based compensation for the use of their networks by other service providers.

The Retail Service Provider (i.e. the originating provider on a local call or the interexchange carrier (IXC) on a toll call) is obligated to pay appropriate compensation (i.e. origination, transport and termination) to carriers whose networks are used to deliver the call irrespective of the technology or protocol used.

Since interexchange service is typically provided by a carrier not owning the originating or terminating facilities necessary to connect to its customer, access applies rather than reciprocal compensation. The Retail Service Provider in this instance is the toll provider.

Reciprocal compensation applies when the call is local to both providers who have customers participating in the call. The Retail Service Provider in this instance is the provider serving the customer who originates the call.

No LEC should be required to terminate a call if the call does not permit the billing of such terminating traffic to the retail service provider. If a LEC has insufficient information to bill the retail service provider, it should be permitted to bill the carrier from whom it receives the call for such terminating traffic.

This system will allow LECs to be compensated for the traffic they terminate. It provides an economic incentive for retail service providers and intermediate carriers to provide sufficient information to allow the intermediate and terminating carriers to bill the retail service provider. It is simple to facilitate because it is based on the present system.

Tandem and Transit

Each rural incumbent LEC is generally dependant on one large carrier for tandem services and for transiting the rural incumbent LEC's traffic for local termination outside of its exchange boundaries (e.g. extended area service or extended community calling) and to deliver its traffic to an IXCs point of presence. The rural incumbent LECs have no negotiating power because they have little or no choice of tandems and transit facilities and the construction of separate such facilities is cost prohibitive. For these reasons, such tandem and transit services should remain rate regulated for those dominant carriers.

If these tandem and transit carriers are allowed to price their tandem and transit services without regulatory oversight (as proposed by the ICF), the prices will be excessive. Such pricing could create unnecessarily high demands on the USF.

Universal Service Funding

The existing federal universal service mechanisms should be retained. Distributions to qualifying carriers from USF or other appropriate funding mechanisms should be increased based on the net loss of revenue from access charges, reciprocal compensation and other revenue loss due to implementation of a new intercarrier compensation plan.

Assessments for USF or other appropriate funding mechanisms should be assessed on the broadest base of contributors. Any service provider that uses the public switched network should be required to contribute to the USF. Such contributions are needed to provide equality among service providers; to provide sufficient revenue for the USF and other appropriate funding mechanisms to fulfill their purpose; and to keep the assessments at an acceptable level for the public.

Bill and Keep

The Bill and Keep proposals do not make economic sense and are inequitable, particularly for rural incumbent LECs and their customers.

First, it makes economic sense that all incumbent LECs should be compensated for their costs in providing those services. Second, generally the costs of transporting and terminating traffic in rural incumbents LEC areas are significantly higher than in urban areas. Third, there are significant imbalances in the amounts of terminating traffic among the different types of service providers. For example, rural incumbent LECs terminate substantially more traffic from wireless carriers than wireless carriers terminate from rural incumbent LECs. This is true for other types service providers (e.g. voice over internet protocol). Since Bill and Keep sets a zero compensation rate, the rural incumbent LECs would suffer a net loss. These inequities of a Bill and Keep system are unfair to the rural incumbent LECs and their customers that may have to absorb the additional costs. Bill and keep provides a reverse subsidy from the high-cost, rural areas to the low-cost urban areas.

Conclusion

Eastern Rural Telecom Association urges the FCC to adopt a plan consistent with the principles stated here and by the Rural Alliance. These principles will be easier to implement because they are based on the present structure of the public switched network. They will help assure that consumers in rural, insular and high-cost areas have access to telecommunications and information services that are reasonably comparable to those services provided in urban areas and are available at rates reasonably comparable to rates charged for similar services in urban areas.

These principles expand the base of funding to provide sufficient funding for the USF and other appropriate funding mechanisms to fulfill their purposes. They minimize the demands on the funding mechanisms. They promote equality among providers.

Providing a modern and ubiquitous telecommunications infrastructure throughout the nation is essential for the economic and social growth of all of its citizens. This is particularly true for those citizens living and working in our rural areas because of the disadvantages of distance and sparse population in providing such modern telecommunications service. Congress recognized the importance of modern telecommunications service in rural areas when it adopted the Telecommunications Act of 1996 that requires the rural areas have reasonably comparable advanced telecommunications and information services at reasonably comparable rates to those in urban areas. The Easter Rural Telecom Association requests the Federal Communications Commission adopt an Intercarrier Compensation Plan that promotes and supports modern telecommunications service in rural areas by adopting the principles contained in these comments and the comments of the Rural Alliance.

Dated this 20th day of May, 2005

Respectfully submitted,

/s/ Ray J. Riordan______
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